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11 March 1983

TALKING POINTS FOR DCI

Iran-Iraq War

-- Iran is preparing another offensive along the Doveyrich River front east of Al Amarah. The Iranians have approximately 130,000 troops and 500 armored vehicles on this front. Since their unsuccessful attacks in early February in which Iran lost some 15,000 troops and at least 50 armored vehicles, the Iranians have begun extensive reorganization, planning, and training in an attempt to overcome the shortcomings which caused their last attacks to fail.

-- The Iranians may also be planning for attacks east of Al Basra. They have approximately 60,000 troops and 200 armored vehicles in the area and an attack there would likely be a diversion for the main effort on the Doveyrich front.

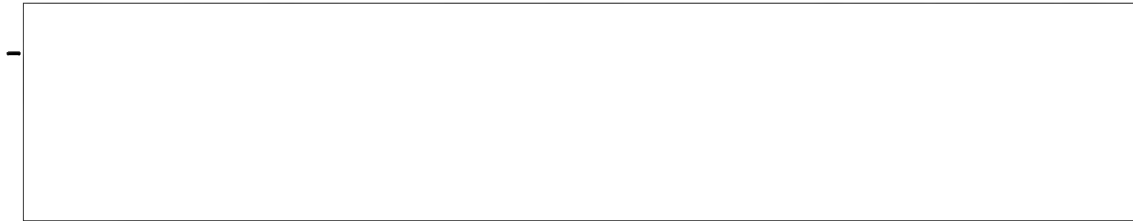
-- Iranian units near Qasr-e Shirin in the north, approximately 25,000 troops and 100 armored vehicles, suggesting a diversionary attack will take place there also.

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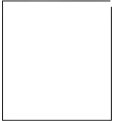
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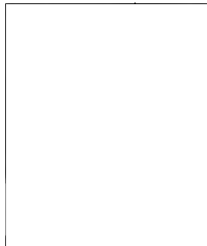


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-- Iraq should be able to prevent Iran from achieving a major breakthrough. Iraq is aware of Iran's preparations. The Iraqis have approximately 130,000 troops on the Doveyrich River front (equal to the Iranians). Baghdad also has a two-to-one advantage in armor and nearly a three-to-one advantage in artillery there. Iraqi units are dug in behind formidable physical defenses.

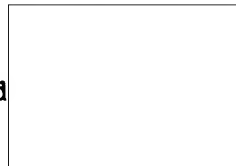
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-- At Basrah the Iraqis are about equal in manpower to the Iranians and have about a three-to-one edge in armor and about a two-to-one advantage in artillery. The Iraqis also have constructed elaborate physical defenses east of Al Basrah.

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-- In the north at Qasr-e Shirin, the Iraqis have an overwhelming advantage in men and equipment over the Iranians.



-- Should Iran's next attack fail, it may lower the scale of the fighting hoping that subversion and growing economic problems will bring down Saddam.

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-- Such a strategy would maintain the pressure on Iraq while reducing the possibility of a popular backlash at home over casualties.

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-- The Iranians, who have lower economic expectations than the Iraqis, are better prepared to withstand the economic problems resulting from a war of attrition.

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-- By discounting the price of its oil Iran has boosted exports to around 2.5 million barrels per day--up from only 500,000 barrels a year ago.

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-- As a result, Iran ended the year with a current account surplus of around \$4.5 billion and is adding to that at the rate of about \$1 billion every 2.5 months.

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-- Iranian foreign reserves have climbed from less than \$3 billion at the end of 1981 to a current \$7 billion.

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-- Iraq, on the other hand, is facing severe economic problems unless it receives substantial foreign assistance.

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-- Iraq cannot increase oil exports beyond the approximately 650,000 barrels per day flowing through the Turkish pipeline.

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-- Both the Gulf and Syria remain closed to Iraqi oil exports.

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-- As a result, Iraq's foreign reserves have plummeted from \$21 billion at the beginning of 1982 to less than \$6 billion at present, the equivalent of three month's worth of imports.

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-- The resulting cash squeeze is forcing Iraq to seek deferred payments on military contracts and a wide variety of economic contracts have been cancelled.

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-- The cash squeeze is also forcing Iraq to begin dealing with the Soviets for large quantities of arms on credit. Early this year Baghdad signed a military contract with Moscow valued at \$1 billion on easy terms.

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-- Iran almost certainly realizes that economic problems alone will not bring down Saddam. Rather, Tehran hopes economic difficulties will feed political dissent. Iran is stepping up assistance to dissident Iraqi Shias.

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-- Syria has agreed to open its borders to opponents of the Iraqi regime. Syria also has renewed weapon shipments to Iran and recently paid Iran over \$100 million for oil.

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-- Syria and Libya are trying to unify Iraqi opposition groups. The Iraqi opposition, however, is fragmented and unable to overthrow Saddam unless Iran scores a significant success on the battlefield.

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Outlook: A new Iranian offensive in late March. No Iranian breakthrough. Continuing economic squeeze on Iraq. A gradual deterioration in Iraqi internal security.

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